LOCAL AUTHORITIES PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1991

Alberta
TREASURY

92-07122/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1991.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Table of Contents

	Page
Introduction	2
Plan Overview	2
Review of Operations	3
Actuarial Liabilities	3
Participation	3
Book Entry Transfers	4
Reciprocal Agreements	5
Reciprocal Transfers	6
Contributions	7
Refunds	8
Death in Service Benefits	8
Information and Counselling Services	8
Pension Benefits	9
Statement of Receipts and Payments	14
Comparative Statistics	15

Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. Since 1989, employee contributions have been set at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. The employer contributes at a rate of 1 percent higher than the rate of the employee contributions. The net amount of pension contributions less payments is deposited to or withdrawn from the pension fund pursuant to the Pension Fund Act. The income of the pension fund accrues to and forms part of the fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55, if five years of pensionable service have been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and 2 percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20, year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the year under review, the division continued on an active course of automation, computer systems upgrading and procedural improvement. The administration of retirement benefits received particular attention with the redevelopment of the retirement benefit calculations. In addition, pension file tracking was enhanced, better payment controls were implemented and system response time was improved.

The fiscal year 1990–91, saw the trial implementation of a system to provide for direct deposit of contribution remittances. Benefits from this program will allow employers to transfer their monthly remittances directly to Payroll and Pensions through the banking system. An initial group of employers participated in a pilot program to assist Payroll and Pensions in refining the process. Results to date have been very favourable, and it is hoped this feature can be offered to all employers in the next year.

Review and planning for federal and provincial pension reform involved all sections of the Pension Administration.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1990, estimated the accrued liability of the Local Authorities Pension Plan to be $3,811,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.6 percent.

Participation

At March 31, 1991, there were 492 employers participating in the Local Authorities Pension Plan, 83,056 active contributors, and 4,942 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount $	Number	Amount $
Public Service Pension Plan	252	3,612,343	153	2,291,374
Public Service Management Pension Plan	13	428,092	10	259,548
Special Forces Pension Plan	–	–	11	165,213
Universities Academic Pension Plan	3	52,480	7	128,803
	268	4,092,915	181	2,844,938

Reciprocal Agreements

At March 31, 1991, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

Alberta Teachers' Retirement Fund
Public Service Management Pension Plan
Public Service Pension Plan
Special Forces Pension Plan
Universities Academic Pension Plan

Outside Alberta

Canada Mortgage and Housing Corporation
Dalhousie College and University
Government of Canada
Health Sciences Centre of Manitoba
Manitoba Civil Service Superannuation Board
Manitoba Municipal Employees Benefits Board
Minister of Finance, Government of New Brunswick
Minister of Finance, Government of Prince Edward Island
Ontario Colleges of Applied Arts and Technology
Ontario Municipal Employees Retirement Board
Ontario Teachers' Superannuation Commission
Regina Civic Employees' Superannuation and Benefits Plan
Saint Paul University
Saskatchewan Crown Investments Corporation
Saskatchewan Health Care Association
Saskatchewan Municipal Employees' Superannuation Commission
Saskatchewan Power Corporation Superannuation Board
Saskatchewan Teachers' Superannuation Commission
University of Manitoba

Reciprocal Transfers

During the year ended March 31, 1991, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount $	Number	Amount $
Alberta Teachers' Retirement Fund	24	744,475	15	260,053
Government of Canada	18	286,109	9	93,428
Ontario Colleges of Applied Arts and Technology	2	29,776	4	295,001
Ontario Municipal Employees Retirement Board	2	236,532	5	175,553
Regina Civic Employees' Superannuation and Benefit Plan	9	346,403	2	57,491
Saskatchewan Health Care Association	17	296,294	5	74,495
Other	13	416,538	11	228,480
	85	2,356,127	51	1,184,501

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1991:

	Participants At March 31, 1991	Contributions Received		
		Employee $	Employer $	Total $
Cities	21,654	38,847,168	45,228,955	84,076,123
Towns	1,741	2,334,619	2,568,708	4,903,327
Villages	90	95,769	106,219	201,988
Counties	3,130	3,848,781	4,422,695	8,271,476
Municipal Districts	715	1,065,773	1,069,733	2,135,506
School Districts	9,723	10,496,594	12,378,963	22,875,557
Commissions	188	383,509	443,482	826,991
Hospitals	33,486	46,336,330	51,750,659	98,086,989
Other	12,329	20,521,756	23,768,309	44,290,065
Accounts Held on Deposit	4,942	3,677	1,804	5,481
	87,998	123,933,976	141,739,527	265,673,503

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 236 refunds of excess contributions totalling $104,088 were made to members and employers during the year.

	Number	Amount $
Cash	3,095	9,076,348
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	2,054	12,349,750
	5,149	21,426,098

Death in Service Benefits

In the current year, 123 members died while in service. Sixty-two of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 73 individual beneficiaries in respect of the other 61 deaths in service.

Information and Counselling Services

Payroll and Pensions Division presented 40 information seminars to employees during the year. In addition, three orientation and 60 general workshops were held for employers to assist them in their pension administration responsibilities. The average attendance for each seminar and workshop was 30 and 16 respectively.

Alberta Treasury training facilities in Edmonton, as well as facilities in locations across the province, were used for these sessions.

Four *Pension News* information bulletins were prepared for employers to assist them in carrying out their responsibilities under the pension plan. The Alberta Retired Public Employees Society was again assisted by Payroll and Pensions with the publication of their quarterly newspaper *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to all active participants in the plan.

Pension Benefits

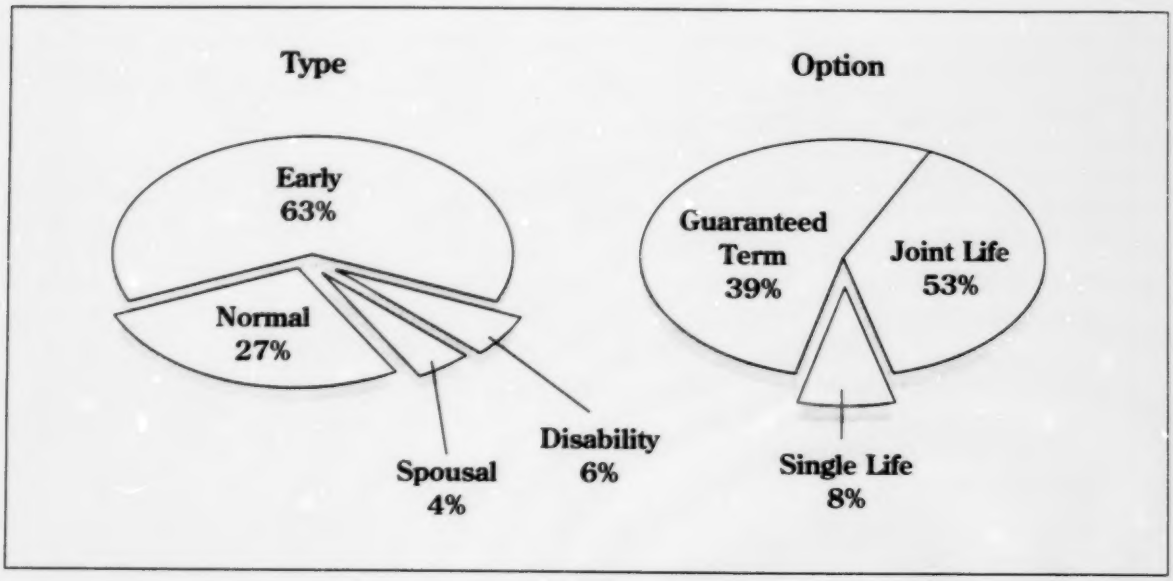
During the year ended March 31, 1991, pension benefits paid totalled $147,966,165; an increase of $14,478,083 (10.8 percent) over the previous year. A total of 1,342 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1991		1990	
Normal Retirement	357		289	
Early Retirement	845	(521)	836	(567)
Partial or Total Disability	78	(33)	68	(39)
Death-in-Service (Spousal)	62	(29)	42	(16)
	1,342	(583)	1,235	(622)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 227 were in respect of deferred retirements from previous years (35 normal, 158 early, and 34 disability).

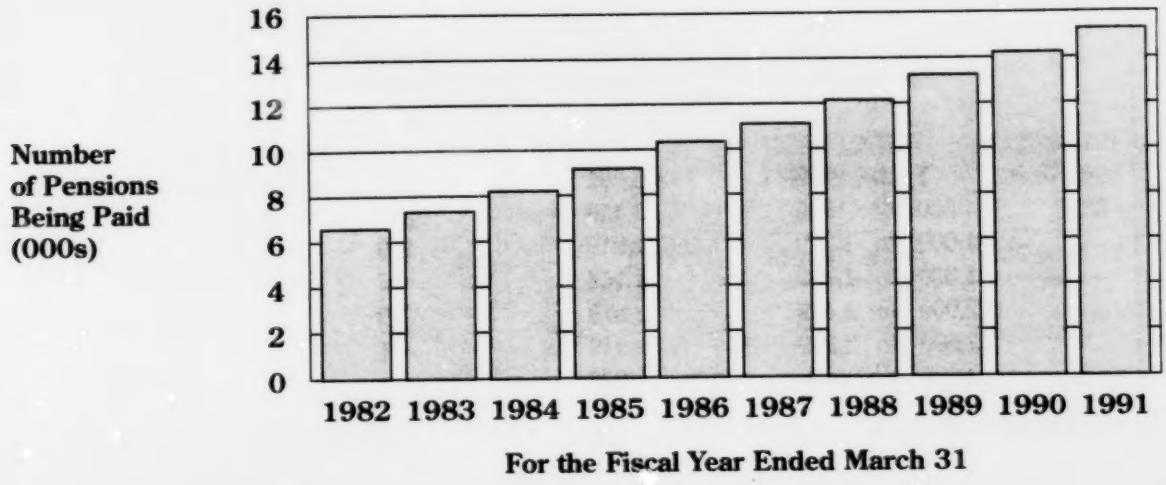
The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:



Pension options selected by members were as follows:

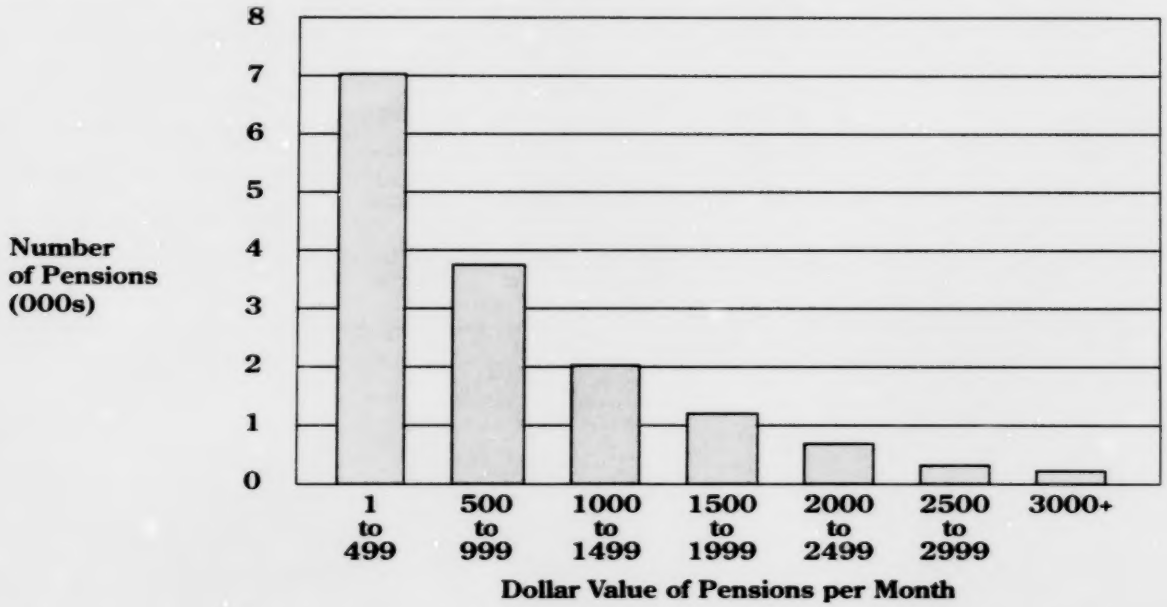
	At April 1, 1990	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1991
Member Pensions						
Normal (guaranteed 5 years)	2,133	129	7	(60)	(7)	2,202
Single Life	1,573	97	1	(49)		1,622
Guaranteed 10 years	2,347	125	20	(61)	(19)	2,412
Guaranteed 15 years	2,150	94	37	(54)	(32)	2,195
Guaranteed 20 years	1,688	119	35	(42)	(4)	1,796
Joint Life non-reduced	2,192	539	35	(37)	(1)	2,728
Joint Life reduced one third	847	158	20	(21)		1,004
Joint Life reduced one half	262	19	8	(6)		283
Spousal Pensions						
Single Life	243	7		(4)		246
Guaranteed 5 years	63	5		(1)		67
Guaranteed 10 years	108	3			(1)	110
Guaranteed 15 years	99	9		(1)		107
Guaranteed 20 years	453	38		(1)	(2)	488
Total Pensions	14,158	1,342	163	(337)	(66)	15,260
Pensions Co-ordinated with CPP and/or OAS	6,593	583	83	(143)	(32)	7,084

The number of pensions being paid at the end of each of the last 10 years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1991, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 to 499	6,501	530	7,031
500 to 999	3,439	310	3,749
1,000 to 1,499	1,919	110	2,029
1,500 to 1,999	1,163	45	1,208
2,000 to 2,499	673	19	692
2,500 to 2,999	319	4	323
3,000 and over	228	–	228
	14,242	1,018	15,260



Effective January 1, 1991, a cost of living adjustment of 3.25 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1990.

Statement of Receipts and Payments
Year Ended March 31, 1991

	1991 $	1990 $
RECEIPTS		
Employee contributions	123,933,976	112,227,101
Employer contributions	141,739,527	128,675,596
Interest on overdue receivables	34,244	42,335
Total Receipts	265,707,747	240,945,032
PAYMENTS		
Benefits		
Pensions to retired members	138,849,135	124,936,281
Pensions to surviving spouses	7,564,065	6,995,637
Lump sums to beneficiaries of deceased pensioners	883,050	933,281
Lump sums to beneficiaries of deceased employees	669,915	622,883
	147,966,165	133,488,082
Withdrawals		
Refunds of contributions and interest to terminated members	21,426,098	20,183,057
Reciprocal agreement transfers	1,184,501	1,094,937
Refunds of excess contributions	104,088	226,802
	22,714,687	21,504,796
Total Payments	170,680,852	154,992,878
Excess of Receipts over Payments	95,026,895	85,952,154

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a 10 year trend.

(000s)

Fiscal Year	RECEIPTS Employee $	RECEIPTS Employer $	RECEIPTS Total $	PAYMENTS Benefits $	PAYMENTS With-drawals $	PAYMENTS Total $	Excess of Receipts Over Payments $
1990/91	123,934	141,774	265,708	147,966	22,715	170,681	95,027
1989/90	112,227	128,718	240,945	133,488	21,505	154,993	85,952
1988/89	101,201	116,212	217,413	119,753	20,071	139,824	77,589
1987/88	92,057	106,211	198,268	105,640	18,092	123,732	74,536
1986/87	86,425	100,335	186,760	91,869	16,332	108,201	78,559